PUBLIC SERVICE PENSION PLAN

ANNUAL REPORT

for the fiscal year ended March 31, 1991

Alberta
TREASURY

92-07116/

Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6

The Speaker of the Assembly

Sir:

Pursuant to section 4 of the Public Service Pension Plan Act, being Chapter P-35.1 of the 1984 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Public Service Pension Plan for the fiscal year ended March 31, 1991.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

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Introduction

The Public Service Pension Plan was established effective April 1, 1947, by the Public Service Pension Act to provide a contributory pension scheme for employees of the Alberta government, its agencies, boards, commissions, and other public service bodies approved by the Lieutenant-Governor in Council. Members of the Legislative Assembly also participated in the Public Service Pension Plan until the establishment of a separate pension plan for Members of the Legislative Assembly in 1969. Similarly, on the establishment of the Public Service Management Pension Plan in 1972, the Alberta government employees whose positions were designated as "Management" transferred to the Public Service Management Pension Plan.

The Public Service Pension Act was repealed on November 1, 1985, and replaced by the Public Service Pension Plan Act. Under the new legislation, policy and adminstration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Public Service Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Public Service Pension Plan is a contributory defined benefit plan. Since 1989, both employees and employers have contributed at a rate of 4.375 percent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 6.25 percent on any excess. The net amount of pension contributions less payments is deposited to or withdrawn from the pension fund pursuant to the Pension Fund Act. The income of the pension fund accrues to and forms part of the fund. The Government of Alberta guarantees the payment of all benefits under the Public Service Pension Plan.

Members may retire at any time after age 55, if five years of pensionable service have been accumulated. Normal pensionable age is 65, but members may also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age. Pension benefits are based on the number of years of pensionable service multiplied by 1.4 percent of salary up to the maximum pensionable earnings under the Canada Pension Plan and 2 percent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a five year guarantee period. Single members may elect a life pension, choosing a normal pension, or a 10, 15, or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

The plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases, the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Public Service Pension Plan is administered by the Payroll and Pensions Division of Alberta Treasury.

During the year under review, the division continued on an active course of automation, computer systems upgrading and procedural improvement. The administration of retirement benefits received particular attention with the redevelopment of the retirement benefit calculations. In addition, pension file tracking was enhanced, better payment controls were implemented and system response time was improved

The fiscal year 1990–91, saw the trial implementation of a system to provide for direct deposit of contribution remittances. Benefits from this program will allow employers to transfer their monthly remittances directly to Payroll and Pensions through the banking system. An initial group of employers participated in a pilot program to assist Payroll and Pensions in refining the process. Results to date have been very favourable, and it is hoped this feature can be offered to all employers in the next year.

Review and planning for federal and provincial pension reform involved all sections of the Pension Administration.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1990, estimated the accrued liability of the Public Service Pension Plan to be $2,161,000,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 9.3 percent.

Participation

At March 31, 1991, there were 48 employers participating in the Public Service Pension Plan, 51,804 active contributors, and 3,061 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the participating employers and the number of participants is provided in the section on contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Public Service Pension Plan		Transfers From Public Service Pension Plan	
	Number	Amount $	Number	Amount $
Public Service Management Pension Plan	11	117,499	316	7,999,543
Local Authorities Pension Plan	153	2,291,374	252	3,612,343
Universities Academic Pension Plan	3	15,128	61	1,202,202
	167	2,424,001	629	12,814,088

Reciprocal Agreements

At March 31, 1991, the Public Service Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

Alberta Teachers' Retirement Fund
Local Authorities Pension Plan
Public Service Management Pension Plan
Universities Academic Pension Plan

Outside Alberta

Canada Mortgage and Housing Corporation
Council of Maritime Premiers
Dalhousie College and University
Government of British Columbia
Government of Canada
Government of Ontario
Health Sciences Centre of Manitoba
Manitoba Civil Service Superannuation Board
McGill University
McMaster University
Ontario Colleges of Applied Arts and Technology
Ontario Municipal Employees Retirement Board
Ontario Teachers' Superannuation Commission
Ontario Workers' Compensation Board
Province of New Brunswick
Province of Prince Edward Island
Regina Civic Employees' Superannuation and Benefits Plan
Ryerson Polytechnical Institute
Saskatchewan Crown Investments Corporation
Saskatchewan Health Care Association
Saskatchewan Municipal Employees' Superannuation Commission
Saskatchewan Power Corporation Superannuation Board
Saskatchewan Public Service Superannuation Board
Saskatchewan Research Council
Saskatchewan Teachers' Superannuation Commission
University of Guelph
University of Manitoba
University of Toronto

Reciprocal Transfers

During the year ended March 31, 1991, the following number and value of reciprocal transfers were undertaken:

	Transfers To Public Service Pension Plan		Transfers From Public Service Pension Plan	
	Number	Amount $	Number	Amount $
Alberta Government Telephones Pension Fund	2	98,640	6	128,171
Alberta Teachers' Retirement Fund	14	405,545	14	193,862
Government of British Columbia	5	142,249	24	461,112
Government of Canada	20	321,074	23	377,617
Manitoba Civil Service Superannuation Board	5	102,424	–	–
Other	11	167,648	10	221,038
	57	1,237,580	77	1,381,800

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1991:

	Participants At March 31, 1991	Contributions Received		
		Employee $	Employer $	Total $
Government of Alberta	30,383	44,439,927	42,624,020	87,063,947
Agricultural Development Corporation	168	47,976	46,148	94,124
Alberta Alcoholism and Drug Abuse Commission	382	543,744	534,839	1,078,583
Alberta Cancer Board	818	1,537,235	1,500,070	3,037,305
Alberta Educational Communications Corporation	181	285,350	280,290	565,640
Alberta Hail and Crop Insurance Corporation	135	188,620	171,797	360,417
Alberta Liquor Control Board	1,226	1,657,707	1,579,044	3,236,751
Alberta Mortgage & Housing Corporation	327	597,898	567,445	1,165,343
Alberta Opportunity Company	94	159,883	155,285	315,168
Alberta Racing Commission	17	36,429	31,362	67,791
Energy Resources Conservation Board	752	1,427,813	1,407,898	2,835,711
Petroleum Marketing Commission	102	183,000	178,552	361,552
Special Areas Board	100	138,343	121,870	260,213
Treasury Branches	2,697	2,771,500	2,694,556	5,466,056
Workers' Compensation Board	1,571	2,315,640	2,250,803	4,566,443
Athabasca University	136	146,013	143,826	289,839
Banff Centre for Continuing Education	267	280,364	279,978	560,342
University of Alberta	3,882	5,069,070	4,808,546	9,877,616
University of Calgary	1,978	2,273,885	2,225,307	4,499,192
University of Lethbridge	343	353,795	339,521	693,316
University of Alberta Hospital	4,537	6,298,733	6,001,669	12,300,402
University of Alberta Student's Union	41	23,672	23,672	47,344
Health Units	1,656	2,197,243	2,093,940	4,291,183
Alberta Union of Provincial Employees	3	4,038	4,038	8,076
Other	8	7,627	7,627	15,254
Accounts Held on Deposit	3,061	1,101	–	1,101
	54,865	72,986,606	70,072,103	143,058,709

Refunds

The following amounts of member contributions and interest were refunded during the year to members terminating employment:

In addition, 156 refunds of excess contributions totalling $76,392 were made to members and employers during the year.

	Number	Amount $
Cash	2,546	6,580,436
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	1,694	9,377,091
	4,240	15,957,527

Death in Service Benefits

In the current year, 84 members died while in service. Thirty-three of the surviving spouses were granted spousal pensions. Lump sums were paid to a total of 57 individual beneficiaries in respect of the other 51 deaths in service.

Information and Counselling Services

Payroll and Pensions Division presented 24 information seminars and 28 pre-retirement seminars to employees during the year. In addition, 15 orientation and seven general workshops were held for employers to assist them in their pension administration responsibilities. The average attendance for each seminar and workshop was 33 and 14 respectively.

Alberta Treasury training facilities in Edmonton, as well as facilities in locations across the province, were used for these sessions.

Four *Pension News* information bulletins were prepared for employers to assist them in carrying out their responsibilities under the pension plan. The Alberta Retired Public Employees Society was again assisted by Payroll and Pensions with the publication of their quarterly newspaper *Postscript*.

Annual statements containing information on pensionable service, contributions, and prior service were produced and forwarded to employers for distribution to all active participants in the plan.

Pension Benefits

During the year ended March 31, 1991, pension benefits paid totalled $88,319,394; an increase of $3,790,394 (4.5 percent) over the previous year.

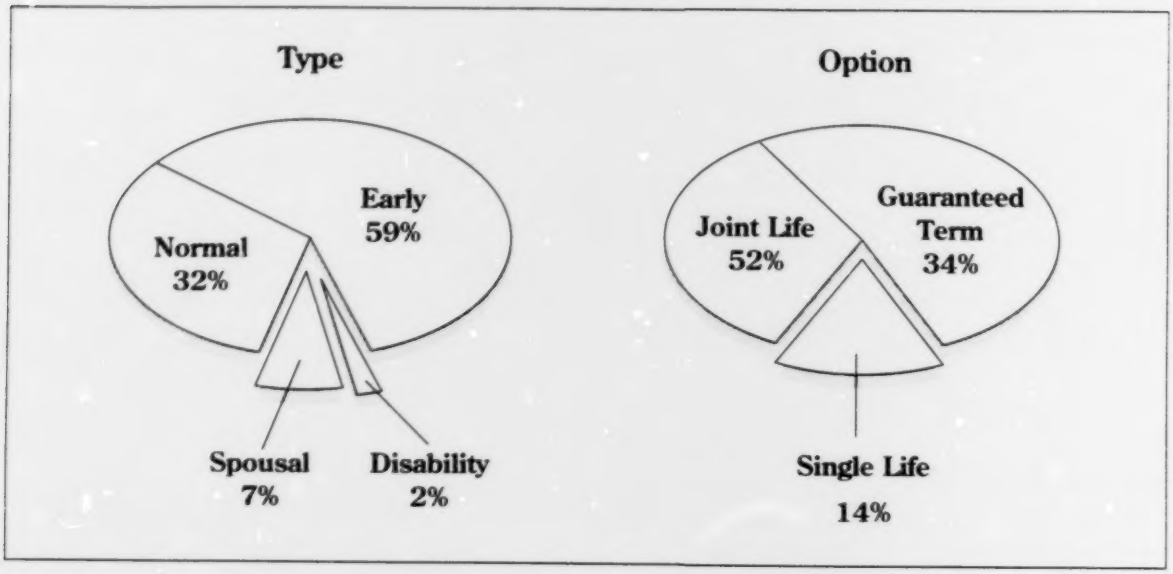
A total of 473 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1991		1990	
Normal Retirement	152		152	
Early Retirement	280	(169)	241	(155)
Partial or Total Disability	8	(1)	9	(6)
Death-in-Service (Spousal)	33	(12)	28	(9)
	473	(182)	430	(170)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 87 were in respect of deferred retirements from previous years (eight normal, 76 early, and three disability).

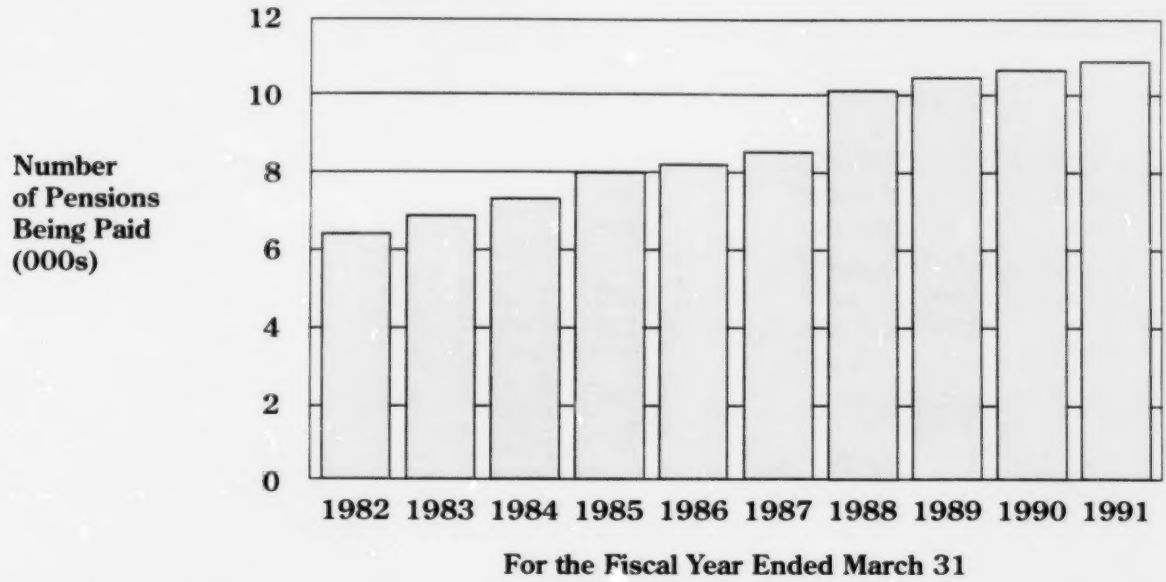
The charts below illustrate the relative proportions of retirements during the year by type and by option chosen:



Pension options selected by members were as follows:

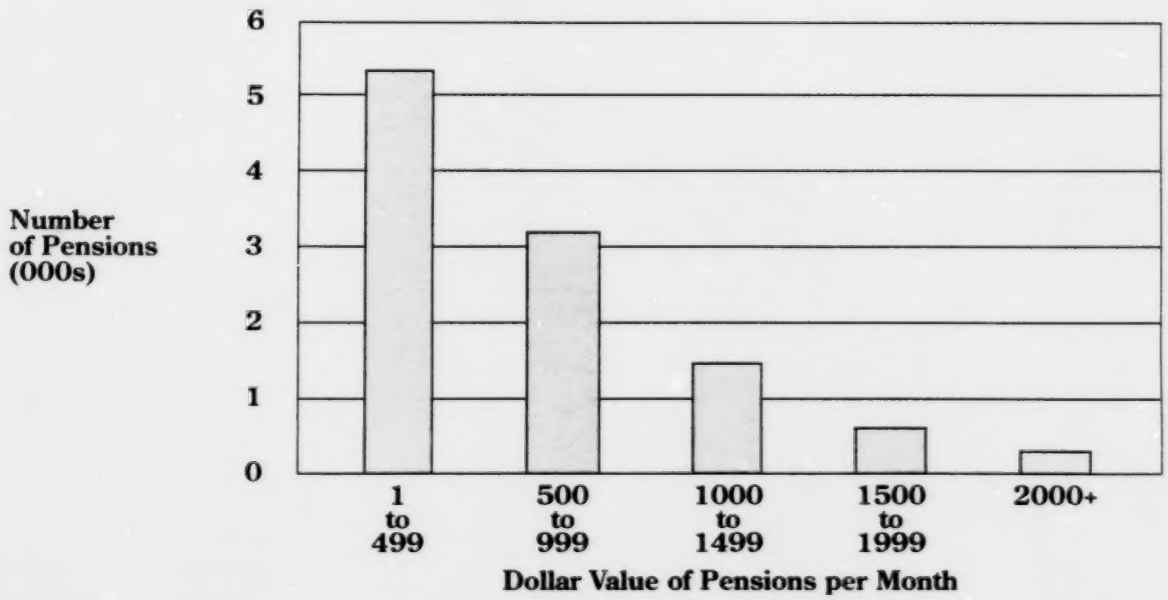
	At April 1, 1990	New Retirements	Beneficiaries	Deaths	End of Guarantee Term	At March 31, 1991
Member Pensions						
Normal (guaranteed 5 years)	1,716	51	1	(54)	(2)	1,712
Single Life	1,250	56		(32)		1,274
Guaranteed 10 years	1,878	30	32	(80)	(27)	1,833
Guaranteed 15 years	1,289	20	19	(40)	(24)	1,264
Guaranteed 20 years	1,122	36	21	(33)	(12)	1,134
Joint Life non-reduced	1,768	186	30	(35)	(1)	1,948
Joint Life reduced one third	659	51	11	(13)		708
Joint Life reduced one half	155	10	3	(6)		162
Spousal Pensions						
Single Life	304	8		(12)		300
Guaranteed 5 years	44					44
Guaranteed 10 years	83	2		(3)		82
Guaranteed 15 years	90	3		(1)		92
Guaranteed 20 years	343	20		(3)		360
Total Pensions	10,701	473	117	(312)	(66)	10,913
Pensions Co-ordinated with CPP and/or OAS	4,742	182	41	(107)	(21)	4,837

The number of pensions being paid at the end of each of the last 10 years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1991, by dollar value of monthly pension:

Dollar Value Per Month $	Member Pensions	Spousal Pensions	Total
1 to 499	4,816	540	5,356
500 to 999	2,960	242	3,202
1,000 to 1,499	1,387	72	1,459
1,500 to 1,999	582	19	601
2,000 and over	290	5	295
	10,035	878	10,913



Effective January 1, 1991, a cost of living adjustment of 3.25 percent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the calendar year 1990.

Statement of Receipts and Payments
Year Ended March 31, 1991

	1991 $	1990 $
RECEIPTS		
Employee contributions	72,986,606	66,355,336
Employer contributions	70,072,103	64,204,568
Interest on overdue receivables	288	808
Total Receipts	143,058,997	130,560,712
PAYMENTS		
Benefits		
Pensions to retired members	81,759,417	78,272,483
Pensions to surviving spouses	5,458,540	5,180,893
Lump sums to beneficiaries of deceased pensioners	443,279	615,917
Lump sums to beneficiaries of deceased employees	658,158	459,707
	88,319,394	84,529,000
Withdrawals		
Refunds of contributions and interest to terminated members	15,957,527	15,050,810
Reciprocal agreement transfers	1,381,800	1,084,251
Refunds of excess contributions	76,392	46,737
	17,415,719	16,181,798
Total Payments	105,735,113	100,710,798
Excess of Receipts over Payments	37,323,884	29,849,914

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years. In addition, a graph is presented to illustrate a 10 year trend.

(000s)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Receipts Over Payments
	Employee $	Employer $	Total $	Benefits $	With-drawals $	Total $	$
1990/91	72,987	70,072	143,059	88,319	17,416	105,735	37,324
1989/90	66,355	64,205	130,560	84,529	16,182	100,711	29,849
1988/89	59,012	57,014	116,026	81,944	15,789	97,733	18,293
1987/88	54,864	52,433	107,297	75,960	15,025	90,985	16,312
1986/87	52,747	51,614	104,361	59,442	13,231	72,673	31,688